

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF FARMERS RURAL ELECTRIC)
COOPERATIVE CORPORATION, GLASGOW, KENTUCKY,)
FOR THE NECESSARY APPROVAL TO BORROW)
\$340,206 FROM THE NATIONAL RURAL UTILITIES)
COOPERATIVE FINANCE CORPORATION FOR) CASE NO. 9453
CONSTRUCTION OF NEW EXTENSIONS AND SYSTEM)
IMPROVEMENTS OF ITS EXISTING FACILITIES.)

O R D E R

Farmers Rural Electric Cooperative Corporation ("Farmers") filed its application on November 4, 1985, for authorization to borrow funds and amended its application on December 10, 1985, to request a certificate of convenience and necessity to construct certain improvements and additions to its existing plant. These improvements and additions, as more specifically described in the application and record, are estimated to cost \$1,552,580 and will be financed by a loan of \$770,000 from the Rural Electrification Administration ("REA") a loan of \$340,206 from the National Rural Utilities Cooperative Finance Corporation ("CFC") and \$452,580 from internal funds.

The Public Service Commission, after consideration of the application and all evidence of record and being advised, is of the opinion and finds that:

1. Public convenience and necessity require the construction by Farmers of the improvements and additions to its existing plant as described in the application and record, and a certificate should be granted.

2. The proposed borrowing from CFC is for lawful objects within the corporate purposes of Farmers, is necessary and appropriate for and consistent with the proper performance by Farmers of its service to the public, and will not impair its ability to perform that service.

IT IS THEREFORE ORDERED that Farmers be and it hereby is granted a certificate of convenience and necessity to proceed with the construction as set forth in the application and record.

IT IS FURTHER ORDERED that Farmers be and it hereby is authorized to borrow \$340,206 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Farmers, at the time the first monies are drawn from CFC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

IT IS FURTHER ORDERED that Farmers shall utilize the interest rate program which will result in the net lowest cost of money to Farmers over the term of the financing.

IT IS FURTHER ORDERED that Farmers shall notify the Commission of the interest rate option elected for the financing approved herein along with a statement as to the basis for the decision.

IT IS FURTHER ORDERED that Farmers shall file, along with its monthly financial report to the Commission, the current interest rate on its variable rate loans outstanding.

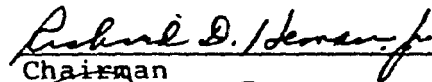
IT IS FURTHER ORDERED that Farmers be and it hereby is authorized to execute its notes as security for the loan herein authorized.

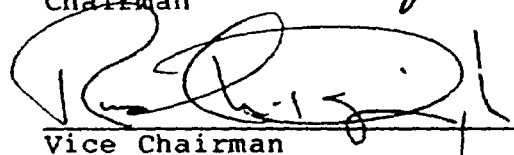
IT IS FURTHER ORDERED that the proceeds from the proposed borrowing shall be used only for the lawful purposes set out in the application and record.

Nothing herein contained shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 30th day of January, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary